

## **EXECUTIVE SUMMARY**

The Maryland Unemployment Insurance (UI) Work Search Demonstration was designed to examine the effectiveness of alternative work search policies in the UI program. In Maryland, to be eligible to receive UI benefits at the time of the demonstration, claimants were required to search for work and to report two employer contacts made per week on their continued claims form. There was no review or verification of the reported contacts with employers, and no specific job search assistance services were offered as part of the work search policy. This relatively streamlined work search policy is similar to that used in other states at the time, although the specific number of employer contacts required and the extent to which they review reported contacts varied across states, and very few offered specific re-employment services as part of their general work search policy. Today, however, legislation mandates that intensive services are provided to targeted or profiled claimants.

To provide much-needed information on the relative effectiveness of alternative work search policies, the Maryland UI Work Search Demonstration tested four alternative packages, or treatments, of work search and re-employment services: (1) increased work search requirements by requiring claimants to make a total of four employer contacts per week; (2) modified the policy by not requiring claimants to document the two specific employers contacted, but continued the requirement of two contacts per week; (3) supplemented the normal work search requirements with a requirement that claimants attend a 4-day job search workshop early in their unemployment spell; and (4) continued the normal work search requirements of two contacts per week but informed claimants that their contacts would be verified. In addition, the demonstration included two control groups to test the Hawthorne effect, with both control groups required to follow the normal requirements of two employer contacts per week (with no verification and no specific re-employment services offered), but one of the groups was informed that they were part of a demonstration project and that their administrative records would be included in the evaluation of the study. To ensure reliable evaluation results, the demonstration project was implemented using a classical experimental design, with random assignment of new claimants to one of the six groups.

The work search demonstration project was implemented in six UI offices, selected to ensure geographical and local labor market representation, and so that the results could be generalized to the state as a whole. The demonstration project began in January 1994, and over 27,000 new claimants were randomly assigned to one of the treatment or control groups during the one-year enrollment period. The evaluation was designed to examine the impacts of the demonstration on key UI outcome measures (e.g., weeks and dollars of UI benefit payments) and employment measures (e.g., whether employed, earnings) to be measured using administrative data sources.

The results indicate that work search policies and re-employment services have important consequences for the UI Trust Fund that are widespread across various claimant sub-groups. First, we find that relative to the normal work search policy, increasing the number of required employer contacts from two to four reduces UI payments per claimant on average by 0.7 weeks and \$116. These estimated impacts are statistically significant and substantively important. Evaluated at the mean of the

control group, this corresponds to approximately a 5.9 percent reduction in number of weeks of UI payments received and a similar reduction in total UI benefits received. Thus, increasing the number of required work search contacts from two to four is an effective approach to reducing UI payments.

We also find that the work search treatment of requiring claimants to make the normal two employer contacts per week, but informing them that the contacts will be verified, has statistically significant and similar impacts on the UI Trust Fund. Specifically, relative to the normal work search policy, the employer contact verification treatment reduces UI payments by 0.9 weeks and \$113. Evaluated at the mean values for the control group, this corresponds to about a 7.5 percent reduction in weeks of UI payments and 5.4 percent reduction in total UI benefit payments. About ten percent of claims were subject to verification. Given the size of the decline in UI receipt associated with this treatment, a verification rate of ten percent appears to be sufficient for significantly affecting UI behavior. We also find that the impacts of both treatments occur early, during the initial spell of unemployment. Taken together, these results indicate that either increasing the number of required employer contacts or verification of employer contacts are effective approaches to reducing UI outlays.

In contrast, we find that the approach of informing claimants that they must search for work but that they do not have to report their work search contacts each week to continue receiving UI payments does not affect UI payments. Our results indicate that, relative to the normal work search policy, this “honor system” treatment increases weeks of UI payments by 0.4 and total UI benefit payments by \$34, but only the number of weeks of UI receipt is statistically significantly different from zero.

Our findings concerning re-employment services indicate that requiring claimants to attend a job search workshop early in their re-employment spell is also an effective approach to reducing UI outlays. Specifically, relative to the normal UI work search policy, claimants who were randomly assigned to participate in a 4-day job search workshop received 0.6 weeks fewer and \$75 less UI payments on average. Evaluated at the mean of the control group, this corresponds to about a 5 percent impact on UI payments and weeks of receipt. Consistent with the results from other recent demonstration projects, it appears that the impact of this treatment in reducing UI payments is primarily due to raising the costs of remaining on UI, rather than enhanced job search abilities. Not surprisingly, we also find that this treatment significantly reduces the likelihood of returning to work with the same employer. These results apply to a workshop that was mandatory for all claimants in this treatment group, and other research suggests that they somewhat underestimate the impact that a targeted workshop under profiling would have on UI receipt.

Although our results indicate that the two more stringent work search policies and requiring claimants to participate in a job search workshop are effective in reducing the UI spell, and presumably leading to relatively more rapid re-employment, we do not find that reducing the job search period occurs at the cost of lower earnings. That is, our results indicate that the earnings of the control group in the year after filing their UI claim are essentially similar to the earnings of the groups that were assigned to these other work search policies. However, we find that eliminating the work-search reporting requirement increases claimants’ earnings on average by \$347, or about 4 percent. This

effect is statistically significant.

Finally, our results indicate that there are no significant differences in UI payment outcomes or in earnings between the uniformed and the informed control groups. Thus, we find no evidence of a Hawthorne effect.